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SOVIET UNION

1. Ambassador Bohlen comments on Malenkov speech:

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Ambassador Bohlen describes Malenkov's speech to the Supreme Soviet as the most important and realistic statement of Soviet policy since Stalin's death. He believes

that the Supreme Soviet proceedings show that Malenkov is unquestionably the dominant figure in the present Soviet leadership. The clear and forceful reaffirmation of the post-Stalin policies supports the view that "these changes stem from sources deeper than simple maneuvers or even palace intrigues."

Bohlen believes it particularly significant that Malenkov commits the Soviet government to a rapid and radical increase of consumer goods. While the concessions to the farmers do not presage abandonment of collectivization, the ambassador suggests that the new encouragement of private agriculture might cause the regime future difficulties.

On foreign affairs, Malenkov seemed to be "expressing a dictatorship's chronic fear" of appearing vulnerable to foreign pressure. The brevity and vagueness of Malenkov's remarks on "negotiations between the great powers" strengthens Bohlen's belief that the USSR at this time favors other forms of diplomatic negotiations than a highly publicized four-power conference.

SOUTHEAST ASIA

2. Viet Minh success in subverting Laotians indicated:

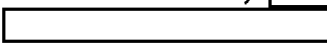
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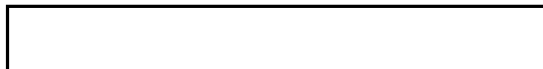
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The Viet Minh, 

 is using several pro-Communist company-size Laotian units in its stepped-up activities in Laos. These units are charged with eliminating "traitors," gaining the support of the local population, and conducting intensive intelligence operations against French units in the area.

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[redacted] the utilization of Laotian units may indicate that the Communist puppet government in Laos is gaining more support than had been expected.

Comment: This is the first indication that the "Free Laos" movement of Prince Souphanouvong is attracting support among the Laotians. His "government" was established last April at Sam Neua in northeast Laos during the Viet Minh's spring offensive. [redacted]

ILLEGIB

SOUTH ASIA

3. Pakistan indignant over shift in government of Indian-held Kashmir:

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The American embassy in Karachi has observed more popular agitation and indignation over the changes in the government of Indian-held Kashmir than over any other issue in several years. It notes general concern that communal disturbances may cause a renewed flow of refugees into Pakistan.

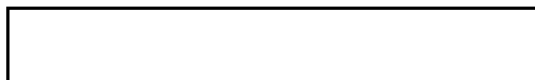
Pakistani prime minister Mohammad Ali informed the American ambassador on 11 August that Karachi, fearing tribal incursions into Indian-held Kashmir, has ordered the army to prevent any breach of the cease-fire line. Defense Secretary Mirza told an embassy official that any further meeting between the Indian and Pakistani prime ministers would be fruitless.

Comment: The Karachi government, which may have encouraged some of the public reaction, nevertheless appears both able and determined to prevent a breach of the cease-fire line.

Kashmir prime minister Bakshi's reported public statement that he would ask the Kashmir Constituent Assembly in early October to ratify immediate accession to India further aggravates the situation. It is unlikely that the Indian government can afford to agree to Bakshi's proposal at this time since such action would jeopardize its international position.

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NEAR EAST - AFRICA

4. Iranian ambassador in Moscow asserts Soviet-Iranian disputes already settled:

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Iranian ambassador Arasteh in Moscow told Ambassador Bohlen on 10 August that the frontier and financial problems between Iran and the USSR had already been settled through diplomatic channels.

Arasteh said that the USSR had withdrawn certain financial counterclaims after Iran had rejected them and that Moscow had agreed to turn over "without compensation" the gold claimed by Iran.

He also stated that the Soviet government had agreed to a frontier settlement satisfactory to Iran and that delimitation of the actual line was all that remained to be decided at the Iranian-Soviet commission meeting in Tehran.

Comment: Ambassador Arasteh appears to be giving an overoptimistic picture [redacted]

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[redacted] formal discussion on border problems and the financial claims and counterclaims are only beginning in Tehran.

5. French recall resident general to discuss Moroccan crisis:

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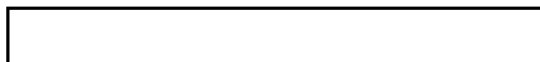


Resident General Guillaume was recalled from vacation on 11 August for consultation with the French Foreign Ministry regarding El Glaoui's alleged plan to stage a coup to depose the sultan, according to an official spokesman in Paris. The Foreign Ministry expects to be able to control El Glaoui, but is aware that serious repercussions would result from any coup attempt.

The problem is complicated, according to the French spokesman, by the support given El Glaoui by French residents in Morocco.

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Comment:

25X1 [redacted] the seriousness of the present tensions. Although El Glaoui maintains absolute authority in the southern tribal areas, the vast majority of natives support the sultan. Previous attempts by the Foreign Ministry to control El Glaoui's maneuvers have been ineffective, largely because local French officials have abetted his various schemes.

WESTERN EUROPE

6. Comment on danger to French government from strikes:

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[redacted] There is a growing possibility that the Laniel government will fall as a result of the current strike wave in France. Its collapse under existing labor pressures would greatly increase the likelihood of a left-center government with a program of drastic defense reductions and foreign policy revisions.

The strike movement began as a rank-and-file protest against Laniel's civil services economies, and is now being supported by the Communists. The National Assembly may be subject to an early recall, which would precipitate a showdown between the right and the left.

If Laniel remains firm on civil service reform, the first part of his economy program, he may lose the support of the Popular Republicans who are under sharp labor pressure. Concessions to labor now, however, would mean defeat for the rest of his program.

LATIN AMERICA

7. Chile may sell copper to Orbit agents:

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[redacted] Chilean finance minister Herrera told Ambassador Bowers on 10 August that his country has offers of 35 cents a pound

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for most of its copper from agents who are in free countries but who, in his opinion, are acting for the Orbit. When reminded of the Battle Act, Herrera replied that if Chile sold its copper in Italy and Switzerland, it would not be selling behind the iron curtain despite knowledge of the metal's ultimate destination.

Meanwhile, an agent of a Chilean steel company partly owned by the government is reportedly in Argentina to confer with the Soviet economic mission there. His objective allegedly is to find out how much copper the USSR would take at 35 cents a pound and what else it would buy in the event of a trade treaty.

Comment: Chile faces a grave financial crisis because of its inability to sell its copper stocks, now estimated at 70,000 tons, at the fixed price of 35 cents a pound, which is about six cents a pound above the world market.

Chile has had no direct trade with the USSR since relations were broken in October 1947.

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